



Town of Lunenburg

Proposed Annual Budget –FY2013

February 23, 2012

Kerry A. Speidel, Town Manager



FY2013 Recommendation

- Disclaimers
 - At this early stage in the process, the document is only “good” the day it is printed.
 - Use a number of assumptions early on, which firm up as we get closer to Town Meeting
 - Uncertainty around State Aid & New Growth



FY2013 Recommendation

- Matching dollars with service level needs, i.e. no "flat" increases
- No additional funding for any dept, other than Targeted Funds [Ch. 70]
- No funding for Road Management Plan
- Huge cuts in many departments
- We're done cutting, now we're dismantling



FY2013 Recommendation

- Funding to cover all contractual salary increases
- Funding to cover all salary increases due SAP employees- implementing new grid
- Balanced budget proposal is based upon use of recurring revenues for operating costs, meaning there is NO request for a draw on either Free Cash or the Stabilization Fund

FY2013 Recommendation

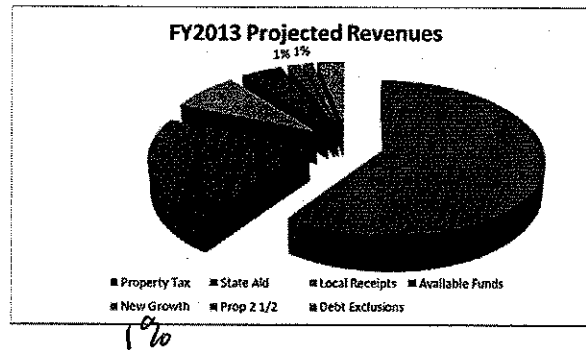
- Prepare Revenue Estimates
- Governor's Budget (House 1) issued
- Additional data on Local Receipts
- Health Insurance Renewal [received]
- Retirement Assessment, received
- Monty Tech Assessment- preliminary

*Changed since
budget assembled
small relief
\$10K*

FY2013- Revenue Estimates

- Sources of Revenue
 - Property Tax
 - State Aid/ Cherry Sheet
 - Local Receipts
 - Available Funds

FY2013- Revenue Estimates



FY2013 Revenue Estimates

	FY2011 Approved	FY2012 Approved	FY2013 Projected	Dollar Increase over Prior Year	Percent Increase
Revenue					
Property Tax					
Prior Year Levy Limit \$	16,418,410	\$ 17,017,602	\$ 17,891,153		
2 1/2% Increase \$	407,945	\$ 425,440	\$ 447,279		
New Growth \$	188,732	\$ 448,111	\$ 350,000		
Unused Levy Capacity \$	2,515	\$ -	\$ -		
Override					
Debt Exclusions \$	991,724	\$977,795	\$948,563		
total:	\$ 18,009,326	\$ 18,868,948	\$ 19,636,995	\$ 768,047	4.07%



FY2013- Revenue Estimates

■ Property Tax –

- Prior Year base plus 2 ½% increase (\$447,279)
- Estimate for New Growth (\$350,000)**

Project	Projected Value	Property Tax Revenue
Emerald Place	\$ 15,750,000	\$ 265,073
General Growth	\$ 5,000,000	\$ 84,150
	\$ 20,750,000	\$ 349,223

- Overrides & Exclusions- capital, debt
 - No Override proposed
 - Debt Exclusions decreased by \$29,232
- State Law requires you to assume 100% collection rate
- Estimate for FY2013 = \$19,636,995



FY2013- Revenue Estimates

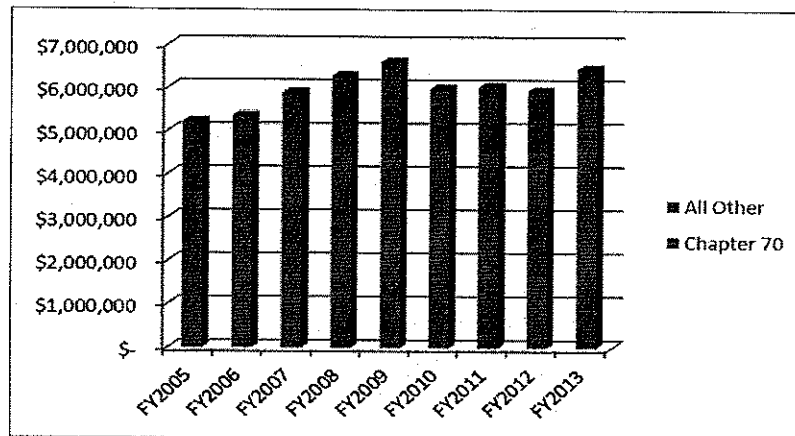
■ State Aid-

- House 1 relies on a number of actions yet to be acted upon by the Legislature
 - Sales Tax Exemptions on candy & soda
 - Expansion of Bottle Bill
 - New revenue gained to be directed to public health programs
- No Quinn Bill still included
- Does include language that would direct FY12 Surplus to towns, but not guaranteed

FY2013 Revenue Estimates- State Aid

- Governor's projection for Ch. 70
 - big increase (+\$586,714) over current year
 - Only 145 of 345 districts to receive increased funding
- No increase in Lottery
 - Despite a projected \$20M increase
 - Town has lost \$485k in Lottery Aid since FY2009, about 37%

FY2013 Revenue Estimates- State Aid



FY2013- Revenue Estimates

- Local Receipts – **decreased \$72,407 (2.89%)**
 - Motor Vehicle Excise Tax, licenses, permits, fees, fines, investment income
 - Elastic Revenues- very dependent upon the economy
 - MVX is the largest component; first indication of what is happening is through Commitment #1, issued in February
 - Commitment was up \$48,287, or 5.4%
 - Estimate for FY2013, **4.0%** increase (each 1% = \$12,555)

FY2013 Revenue Estimates

- Local Receipts
 - Supplemental Tax- \$25,000 [\$3.5M]
 - Local Options Meals Tax
 - In effect 01/01/10; \$65K annually
 - Building Permits- level
 - Investment Income- reduced to \$25k
 - Medicare Part D Reimbursement- reduced \$24.4k
- Supplemental State Aid- not available until Q2

Jul 1 - Dec 31

FY2013- Revenue Estimates

- Available Funds
 - Catch All Category
 - Some one-time revenues, causing a wide variance from year to year
 - SBA Reimbursement - \$559,057
 - Water & Sewer Betterments
 - Fully fund associated debt service & related costs
 - Sewer Enterprise Fund to fund Indirect Costs
 - No Borrowing for Capital

FY2013- Revenue Estimates Summary

Revenue	FY2009 Actual	FY2010 Budget	FY2011 Approved	FY2012 Approved	FY2013 Projected	Dollar Increase over Prior Year	Percent Increase
Property Tax	\$ 16,915,184	\$ 17,427,297	\$ 18,009,326	\$ 18,868,948	\$ 19,636,995	\$ 768,047	4.07%
State Aid	\$ 6,609,772	\$ 5,985,673	\$ 6,030,068	\$ 5,936,990	\$ 6,445,748	\$ 509,358	8.58%
Local Receipts	\$ 2,167,839	\$ 2,247,178	\$ 2,363,606	\$ 2,503,796	\$ 2,431,389	\$ (72,407)	-2.89%
Available Funds	\$ 2,208,675	\$ 1,589,665	\$ 1,811,950	\$ 1,871,910	\$ 1,477,441	\$ (394,469)	-21.07%
total:	\$ 27,901,470	\$ 27,247,813	\$ 28,214,950	\$ 29,181,044	\$ 29,991,573	\$ 810,529	2.78%

- Areas of interest:
 - House 1 is generally viewed as the base level for State Aid
 - What will House & Senate Budgets show for State Aid?
 - New Growth Projection
 - Approved residential developments



Expenditures

- Service Provider Organization
 - Demand for services doesn't decrease due to lack of funding
- Town provides services
 - Services to students
 - Services to seniors
 - Services to residents
- Focus on service levels, not employees
- Allocating resources to services



Expenditures

- Expenditures are divided into:
 - Functional Categories (Departments)
 - Non-Appropriated Costs
 - Sewer Enterprise Fund (self supporting)
 - Water Enterprise Fund (self-supporting)
 - Solid Waste Disposal Enterprise Fund
 - Other Warrant Articles with a Financial Impact

Forecast- Projected Deficits, including "New Initiatives"

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Revenue	\$ 28,214,930	\$ 29,093,638	\$ 29,650,741	\$ 30,497,951	\$ 31,390,630	\$ 32,300,440	\$ 33,228,951
Expenditures	\$ 28,170,773	\$ 29,154,557	\$ 32,411,499	\$ 33,722,634	\$ 35,206,320	\$ 36,665,171	\$ 38,301,699
Difference	\$ -	\$ (60,920)	\$ (2,760,758)	\$ (3,224,683)	\$ (3,815,689)	\$ (4,364,731)	\$ (5,072,749)
		-0.21%	-9.31%	-10.57%	-12.16%	-13.51%	-15.27%

Projected Deficit:

Amount of Deficit Attributable to New Initiatives:

Amount of Deficit Attributable to increases in on-going expenses

FY13	FY14	FY15	FY16	FY17
\$ (2,760,758)	\$ (3,224,683)	\$ (3,815,689)	\$ (4,364,731)	\$ (5,072,749)
\$ (1,604,521)	\$ (1,758,300)	\$ (1,951,833)	\$ (2,118,894)	\$ (2,252,042)
\$ (1,156,238)	\$ (1,466,383)	\$ (1,864,056)	\$ (2,245,836)	\$ (2,820,706)

Road mgmt plan

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Expenditures

- Department Budgets submitted without "new" initiatives or restoration of prior year cuts
- Requested budgets exceeded available revenue by \$1,496,304
- Approximately \$330k more than projected last Fall



FY2013 Expenditures

- Need to cut \$1,496,304
- \$1,131,040 of deficit "assigned" to School
 - School to receive same appropriation as FY12 + Additional Chapter 70 = 3.94% increase
- \$ 365,264 of deficit "assigned" to Other Departments



FY2013 Expenditures

- Reduce School Level Service Budget by \$1,131,040
 - Decrease up to 2.0 FTE positions in Central Office, reduce or eliminate positions including Instructional Services Director and Special Services Director
 - Additional Cafeteria program costs assigned to School Lunch Program- custodial, accounting, management- will increase cost of lunches
 - Reduce non-personnel expenditures- maintenance reductions, reduced supplies and materials, professional development
 - Reductions in number of special education teachers per building
 - Reduction in number of tutors and aides
 - Reduction in number of custodians
 - Fee increases: bussing, athletics, school lunch, facility use
- Next School Committee Meeting: March 7, 2012
- Additional detail to be provided

FY2013 Expenditures-

- Reduce Other Departments by \$365,264
- Non-Discretionary/ Less-Discretionary
 - Debt Service, Insurances, Retirement Assessment
 - Police, Fire & Ambulance
 - DPW- some services- plowing
- Discretionary
 - DPW- some services- road maintenance, upkeep of public lands
 - Capital
 - Library & Senior Center
 - Administrative & Land Use Offices

FY2013 Expenditures- Non-Discretionary

- Debt Service
 - Up \$158,542- includes financing for DPW and FY10 & 11 CIP
 - Includes temporary financing for School Feasibility Study/ Preliminary Plan Development *Requires TM approval*
- Insurances
 - No increase in General Liability & Worker's Compensation
 - Huge increase in Police/ Fire IOD in FY12 [\$29k in FY11 to \$75k in FY12] *Injured on duty*
 - Health Insurance Renewal +3.4% estimate [\$76k]; actual 3.55% [\$67k]- this is artificially low due to Health Insurance Reform *Not a new trend one time*
- Retirement Assessment
 - Increase of \$87k, or 14.59%, due to adjustment in method of calculating Annual Assessment

Pension liability?
What's the risk of having to fully fund this?

FY2013 Expenditures- Less Discretionary

■ Police

- Essentially level funded, decrease of \$10,375
- Grant funding for Community Policing and Specialized Investigations no longer exists. Town isn't able to replace lost grant funding
- COPS Fast/ Universal COPS grant funding has eluded us. Funding is going to urban areas and/ or to rehire or retain staff
- 10% increase in the number of housing units upon build out of Tri-Town Landing and Emerald Place

FY2013 Expenditures- Less Discretionary- Police

Town/City	# Of FT Officers	Population	# of Officers per 1,000 pop.
Ayer	17	7,427	2.29
Ashby	6	3,074	1.95
Westminster	13	7,277	1.79
Fitchburg	69	40,318	1.71
Leominster	68	40,759	1.67
Ashburnham	10	6,081	1.64
Leicester	18	10,970	1.64
Townsend	14	8,926	1.57
Lancaster	12	8,055	1.49
Pepperell	17	11,497	1.48
Athol	17	11,584	1.47
Groton	15	10,646	1.41
Lunenburg	14	10,086	1.39
Winchendon	14	10,300	1.36
Shirley	9	7,211	1.25
Average:			1.61

How current is this info?

*+ 2 would bring us to
average of
Local community*

FY2013 Expenditures- Less Discretionary

■ Fire

- Essentially level funded, increase of \$9,660
 - \$5k for new fee for Emergency Medical Director for Ambulance
- Heavily reliant on E911 Grant, previously used to fund equipment
- Coverage provided 6:00 a.m. – 6:00 p.m., M – F, plus holiday weekends
- Typical response time 6 – 10 minutes; off hours = 20+ minutes

FY2013 Expenditures- Less Discretionary

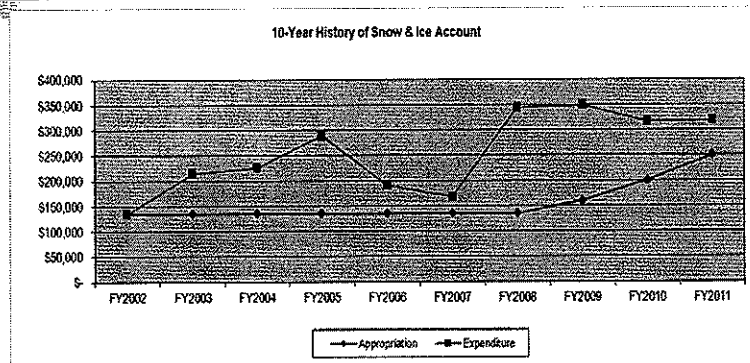
■ Department of Public Works

- Essentially level funded, +\$4,366
- This has been the "go to" department for "easy" cuts
- In FY2004, the department had 15 FTE's, reduced to 10.5 due to retirements, attrition & layoffs
- In this same time, we've increased the Snow & Ice Appropriation from about \$130k to \$250k
- We are already under-funding DPW; lack of adequate funding for Road Maintenance; Number one complaint received
- Comprehensive Road Management Plan indicates we need to spend about \$1M per year to maintain roads
- No further reductions can be made without dismantling the department

Handwritten notes:
\$ 420K from Chap 90 (up from \$350K)
funding needed

FY2013 Expenditures-

Department of Public Works



FY2013 Expenditures-

Discretionary

- Capital Expenditures
- BOS Policy: Operating budgets should be set at sustainable levels. The capital budget can vary around a long-term target level. The long-term target level for the capital program is 5% of total expenditures.
- 5% of Operational Expenditures = \$1,407,256
- CPC Recommendation = \$504,387
- TM Recommendation = \$464,487

✓ What is CPC recommendation if we include Road plan? \$800K

FY2013 Expenditures- Discretionary, Capital Expenditures

Capital Plan

The Capital Planning Committee has concluded their review of all Capital Requests and has submitted a final report and recommendation. The full report can be found in the Appendix to this document. Their recommendation is for a total spending plan of \$1,304,387 as follows.

Priority 1		
DPW Roadway Maintenance	\$800,000	Total expense \$1.2M partially funded, Chapter 90
Priority 1A		
1. Technology	\$ 75,517	Annual Replacement Plan
2. School	\$107,920	Passios Roof Re-roofing
3. School	\$ 38,750	THMS Gym Roof Snow Guards
4. DPW, Facilities	\$ 18,000	Rimer Building, Front Section of Roof
5. Fire	\$ 35,000	Repair Engine 4
6. DPW	\$ 35,000	4 x 4 Pickup Truck with plow
7. DPW	\$ 40,000	1 Ton Pickup Truck with plow
8. School	\$ 33,000	Pickup Truck with plow
9. Police	\$ 12,000	6 Tasers
10. School	\$ 64,500	Mobile Media Carts
11. Council on Aging	\$ 12,800	Refrigerator, Oven & Steam Table
Priority 2		
1. Library	\$ 15,900	Paint and Repair front of Building
2. School	\$ 24,000	THMS, Repair Drop Ceiling

The CPC does note that while Roadway Maintenance is the number one priority, that it can't be included in the Annual Plan unless another source of funding is identified.

*No borrowing
1A being included*

FY2013 Expenditures- Discretionary, Senior Center & Library

- In past years, these two departments were held harmless
- Recognition that during tough times, the service provided can be a "life-saver"
 - Public access to computers, books, magazines, newspapers
 - Free or low cost activities
 - Town can no longer afford to hold harmless
 - 10% cut to both departments

FY2013 Expenditures-

Discretionary, Senior Center

- A 10% reduction COA
\$11,844
Means Closing ONE DAY A WEEK
- **It costs approx: \$425.00 a day to
operate Eagle House**

FY2013 Expenditures-

Discretionary, Senior Center

- In July of 2011 we started closing @
12:30pm on Fridays and staying open until
6:30pm on Tuesdays
- **COA is proposing to close all day Friday
and returning to a 4:00pm closing on
Tuesdays**
- **This would save approx.**
- **\$265/week**



FY2013 Expenditures-

Discretionary, Senior Center

- What impact does this have on the senior community?
 - Transportation would be reduced to only 4 days a week
 - Congregate lunch would not be available one day a week
 - MOW's would not be delivered on Friday
 - Social, recreational, and educational programs would not be available to the elders on Fridays
- Note: Governor is proposing to cut funding to congregate lunch program, which may result in elimination of the program.



FY2013 Expenditures-

Discretionary, Library

- 10% cut = \$34,644
- Library will not meet required spending
- Library will need to apply for a waiver
- If waiver is not granted, the Library will lose State Aid, \$12,078
- Lunenburg residents will not be able to access Inter-Library Loan Program
- Library hours would be cut
- Funding for new materials would be cut
- Board of Trustees will address this proposed cut at their next meeting- March 1, 2012

FY2013 Expenditures- Administration & Land Use Offices

- Cutting a total of \$101,458, or about 7.3%
- Staffing Reductions, 15.85 FTE reduced to 13.45
 - Eliminate position of Chief Administrative Assistant in BOS Office
 - Reduce Technology Assistant to 0.35 FTE
 - Combine AA positions in BOH & Conservation, reduction of 1.55 FTE to 0.9
 - Reduce full-time schedule from 40 to 36 hours per week, which may translate in being open to public less than 36 hours per week

What services could be made available online?

FY2013 Expenditures-

- Monty Tech Assessment
 - Estimated assessment \$681,708
 - Increased enrollment +4; \$52,505
- Recycling/ Solid Waste
 - Recycling Program \$125K
 - Solid Waste Disposal at muni buildings
 - HHW Program at Devens
- Non-Appropriated Costs
 - Regional Transit Assessments
 - Tuition Assessments
 - Mosquito Control District

Prelim

FY2013 Expenditures- Conclusions

- Fairest, most equitable distribution of funding
- Fully funds all contractual obligations
- Balanced based upon use of recurring revenues for operating costs; no draw on Stabilization Fund or Free Cash

FY2013 Expenditures – Conclusions

- Great change is proposed and none of it is good
- Realigns & downsizes organization in recognition of the fact that without additional revenue, we can't sustain what we have
- Hopefully none of this comes as a surprise as this is what was shown in the Financial Forecast



Conclusions

- Biggest concern is that Bond Rating Agencies will not look favorably upon the changes being made in this budget
- This will not be viewed as a strategic move, but rather a dismantling of our organization.
- This will have a negative impact on our Bond Rating, which was recently upgraded in FY2010.
- Any negative impact to our Bond Rating means our cost to borrow will increase. As we prepare to seek authorization for a large school project, we should be doing everything we can to preserve and bolster our Bond Rating.



Conclusion- Next Steps

- Finance Committee will begin a detailed review of the FY13 Budget- March 1
- Library Board of Trustees- March 1
- School Committee- March 7
- Watch for House & Senate action on Governor's Budget Proposal
- Town Meeting: May 5
- Town Election: May 19

